MR. CHAIRMAN: Please take your seat. Don't interrupt.

SHRI P. CHIDAMBARAM: There was no invisible hand of the Government. And I can assure you there is no invisible hand of anyone. There is a visible hand. When a proposal was put forward, we approved it with a visible hand. There was no invisible hand there. When we are talking about urban cooperative Banks, if the depositors are insured, the Deposit Insurance Corporation pays according to the insurance policy. But to ask the Government of India to bail out every failed or failing urban cooperative Bank is a sure recipe for disaster. It is simply not possible for the Government of India to Bail out every failed or failing cooperative Bank. I am answering with a sense of responsibility dictated by fiscal prudence, it cannot be done. You should not ask the Government to bail out every failed urban cooperative Bank.

Bail-out package for LIC

*284. SHRI B.K. HARIPRASAD: Will the Minister of FINANCE be pleased to state:

(a) whether Government have declined to approve the public offer plan mooted by the Life Insurance Corporation of India and if so, the reasons therefor;

(b) whether the LIC is under severe pressure to comply with the solvency margin standards mandated by the insurance regulatory authority;

(c) whether the LIC has sought a bail-out package from the Centre including waiver of its distributable surplus payable to Government every year; and

(d) if so, Government's reaction thereto?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) No such proposal has been received from Life Insurance Corporation of India (LIC).

(b) As on 31.3.2004, LIC has provided Rs. 16807 crore against Rs. 15183 crore which is the Required Solvency Margin (RSM). However, IRDA has asked all life insurers to provide 150% of the RSM.

(c) No, Sir.

(d) Does not arise.

SHRI B.K. HARIPRASAD: Mr. Chairman, Sir, we all know that due to the presence of private sector in the insurance field, India's major insurance corporation, the LIC, is facing a tough competition. I would like to know from the hon. Minister, while reviewing the insurance growth planning strategy, whether the Finance Minister has any plans to amend the LIC Act to facilitate LIC to set aside funds for meeting IRDA solvency norms. If not, what are the reasons?

SHRI P. CHIDAMBARAM: Sir, this is a complicated technical matter. Let me explain, as best as I can, in simple words. Sir, the RSM is the excess of the assets over the liabilities. The requirements is, the RSM must be five per cent of the total liability. In other words, the excess of the assets over liabilities should be five per cent. Now, LIC has been able to provide this five per cent, but IRDA requires that you must provide 7.5 per cent. That means, it must be 150 per cent of the RSM. As far as LIC is concerned, this ratio has improved from 85.1 per cent in 2001-02 to 110.7 per cent in 2003-04. According to IRDA regulations which IRDA says applies to LIC, which LIC says it does not apply because LIC is a Corporation created by an Act of Parliament, this 110.7 per cent has to go to 150 per cent. How do we take it to 150 per cent assuming that the IRDA regulation applies? Now, I had a meeting with LIC. I have asked LIC to send me a proposal containing different options how this 110.7 per cent can be taken to 150 per cent. I have not yet received any proposal from LIC. They have appointed a consultant who has given a report. I am expecting a report from LIC. We will look into the matter. In the meanwhile, we are asking IRDA to consider whether this regulation applies to LIC at all.

SHRI B.K. HARIPRASAD: Sir, my second supplementary is, in the last couple of years, the LIC has been reducing the bonus payable to policy holders, though there is a remarkable business growth of 65 per cent yearly and less premature claim settlements due to longer life span of its policy holders. I would like to know from the hon. Minister whether LIC would manage to generate enough surplus for meeting solvency norms without curtailing the bonus and funds of the policy holders.

SHRI P. CHIDAMBARAM: Sir, if LIC is required to maintain the 5 per cent of the total liability as RSM, then, I think, the LIC need not depend on the distributable surpluses which ought to go to the LIC policy holders.

If the LIC is required to raise this 5 per cent to 7.5 per cent, then, I am afraid, the LIC would have to depend on the surpluses which ought to be distributed to the LIC policy holders. As I said, this is not something which can be resolved through question-answer. I am looking into the matter. I have asked them for options. Let me look into it. It is a difficult and complicated issue.

SHRI K.B. KRISHNA MURTHY: Sir, my question may not be directly related to the LIC, but it is certainly related to the Government insurance companies. I would like to know from the hon. Finance Minister whether it is a fact that the Government-owned insurance companies do not reimburse medical expenses for patients infected and suffering from HIV and AIDS.

SHRI P. CHIDAMBARAM: Sir, it has nothing to do with this question. But, I think, every policy has a clause on pre-existing diseases. And, pre-existing diseases are excluded from policies. Undisclosed pre-existing diseases are, obviously, excluded from policies. But if you want to have further information, you can write me a letter. I will send you the requisite information.

SHRI K.B. KRISHNA MURTHY: Sir, I had already said that it is not directly related to the LIC, but to Government insurance companies.

SHRI N.K. PREMACHANDRAN: Sir, the latest scenario is that the growth rate of the LIC is slowing down. The grassroot level mobilisation of funds was done by the agents and the field officers. But for the last three months....*(Interruptions)*

MR. CHAIRMAN: Please put your question. Do not read from the papers.

SHRI N.K. PREMACHANDRAN: Okay, Sir. For the last three months the recruitment of agents has completely been stopped and the functional benefits of the field officers have been withdrawn by the LIC. So, I would like to know whether this demotivation of the field officers and the agents is responsible for the present financial crisis of the LIC.

SHRI P. CHIDAMBARAM: Sir, I think, I had answered a Calling Attention, I am not sure whether in this House or in the other House. The point is that the first premium income has come down during the last two years. This

year, I have asked the LIC that the first premium income must go back to, at least, rupees ten thousand crores. The field officers, the Development Officers had been enjoying large compensation packages. But the growth in the compensation packages is not reflected in the first premium income. Therefore, the LIC proposed a new incentive scheme after, I think, eight meetings with the Development Officers. Taking into account their suggestions, they have notified their scheme. We had a debate, I think, in the other House. The new incentive scheme is intended precisely to do what the hon. Member says, that is, to motivate the Development Officers to concentrate on the first premium income, which has come down—I am talking on the basis of my memory—from about Rs. 12,000 crores to about Rs. 7,000 crores. We have to take it back to, at least, Rs. 10,000 crores. So, the present scheme is one intended to motivate and reward the good performers and not to incentivise somebody who sits on his past performance and does not add new agents and does not bring new first premium income.

Expansion of Private Airlines Operations

*285. SHRIMATI S.G. INDIRA: Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether it is a fact that Government have taken a decision to allow private airlines to expand their international operations to more destinations;

(b) if so, the details thereof;

(c) whether it is a fact that most of the countries have designated only one or two airlines to operate on international routes; and

(d) whether it is also a fact that the national carriers are capable to utilise under-utilised bilateral entitlements available to the Indian side?

THE MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL): (a) to (d) A statement is laid on the Table of the House.